



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

December 18, 2015

The Audit Committee
School Board of the City of Norfolk, Virginia

Ladies and Gentlemen:

We have audited the financial statements of the School Board of the City of Norfolk, Virginia (the School Board) as of June 30, 2015 and for each of the year then ended, and issued our report thereon under date of December 18, 2015. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the Audit Committee, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Audit Committee of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.



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Other Information in Documents Containing Audited Financial Statements

The School Board's management included our audit report in the School Board's Comprehensive Annual Financial Report (CAFR). The CAFR contains various other financial and statistical information that we were not engaged to audit, and accordingly, is not covered in our audit opinion. Our responsibility for other information in documents containing the School Board's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in CAFR, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the School Board are described in Note 1 to the financial statements. For the year ended June 30, 2015, the School Board adopted GASB 68, *Financial Reporting for Pensions*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We have discussed with the Audit Committee and management the effect of the timing and method of the adoption of these policies on the current and future earnings of the entity. We have also discussed with the Audit Committee our views on the appropriateness of the accounting policies.

Qualitative Aspects of Accounting Practices

We have discussed with the Audit Committee and management our judgments about the quality, not just the acceptability, of the School Board's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the School Board's accounting policies and their application, and the understandability and completeness of the School Board's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the School Board to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ



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markedly from management's current judgments. We determine that those charged with governance are informed about the process used by management in identifying and formulating particularly sensitive accounting estimates, risks of material misstatement in accounting estimates, the nature of significant assumptions, the degree of subjectivity involved in the development of the assumptions, the relative materiality of the items being measured to the financial statements as a whole, indicators of possible management bias in developing accounting estimates, disclosure of estimation uncertainty, and about the basis for our conclusions regarding the reasonableness of those estimates. We may also communicate the potential effect on the financial statements of significant risks and exposures and uncertainties, such as pending litigation, that are discussed in the financial statements.

Retirement Obligations

Management's estimates of pension liabilities and other postemployment obligations are based upon current and retiree payroll demographic information and actuarial analyses of external actuaries.

Self-Insurance

Management's estimates of self-insurance liabilities are based upon actuarial analyses of external actuaries. We have evaluated the key factors or assumptions used to develop significant accounting estimates, including possible management bias in developing the estimates and determined that they were reasonable in relation to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements

In connection with our audit of the School Board's financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in the School Board's books and records as of and for the year ended June 30, 2015. We have reported such misstatements to management on a Summary of Audit Misstatements and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, in relation to each respective fund within the financial statements taken as a whole. Attached is a copy of the summary that has been provided to, and discussed with, management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the School Board's financial statements.



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Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2015.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with you and management each year prior to our retention by you as the School Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Agreement for renewal #3 for the fiscal 2015 audit fees
2. Management representation letter

Significant Difficulties Encountered During the Audit

Delays were encountered during the course of the audit that caused the completion of the audit to not be in accordance with the initially established schedule. We have discussed with management our recommendations to improve the timeliness of the year-end closeout process.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and the School Board and persons in a financial reporting oversight role at the School Board and provide confirmation that we are independent accountants with respect to the School Board as of December 18, 2015.

We are not aware of any additional relationships between our firm and the School Board and persons in a financial reporting oversight role at the School Board. With respect to the School Board, we are independent accountants within the meaning of Rule 101 of the American Institute of Certified Public Accountants Code of Professional Ethics and related interpretation and *Government Auditing Standards*, issued by the U.S. Government Accountability Office.

Confirmation of Audit Independence

We hereby confirm that as of December 18, 2015 we are independent accountants with respect to the School Board under relevant professional and regulatory standards.



The Audit Committee
School Board of the City of Norfolk, Virginia
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This letter to the Audit Committee is intended solely for the information and use of the Audit Committee, the School Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Norfolk, Virginia
December 18, 2015



NORFOLK

Office of the City Manager

May 15, 2015

KPMG LLP

Attn: Ms. Cheryl Xystros, Partner
440 Monticello Ave
Suite 1900
Norfolk, Virginia 23510

Re: Agreement of Renewal #3 – Contract 13372, dated July 6, 2012.
Our File No.: 2014-163210-CSP-CT

Dear Ms. Xystros:

This letter is to inform you that the City of Norfolk ("City") hereby exercises its option to renew Contract 13372 ("Agreement") with KPMG LLP. The term of this renewal ("Agreement of Renewal #3") shall be from July 1, 2015 until June 30, 2016. As you are aware, there are no more renewal options available under the Agreement following this Agreement of Renewal #3.

In accordance with the terms of paragraphs FOURTH and TWELFTH of the Agreement, the City shall provide compensation, for services under this Agreement of Renewal #3, which shall not exceed the total of sums described in the following table:

City of Norfolk	\$ 294,294
City of Norfolk-Single Audit	81,969
School Board	129,962
School Board-Single Audit	54,646
Economic Development Authority	11,927
Employees' Retirement System	<u>30,706</u>
Renewal #3 Total Compensation	\$ 603,504

The last paragraph of the TWELFTH section of the Agreement is hereby amended and shall read as follows:

"If services for the audit extend beyond November 30, 2015, then the Auditor's fee for service provided after that date shall be increased by \$50 per hour and if services extend beyond December 31, 2015 then the rate shall increase by \$100 per hour for services rendered after that date. Should the scope of services expand for the work performed by the Auditor beyond provisions set forth in the FIRST section of this Agreement, additional compensation will be

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allowed in accordance with a mutually agreed upon written amendment to this Agreement, and subject to the authorization of the City Auditor, based on consultation with the City Director of Finance of the City of Norfolk or the Norfolk Public Schools Associate Superintendent of Finance of the Norfolk Public Schools, as applicable. The Auditor shall report all proposed expanded services or scope adjustments, with a reasonable estimate of billable hours priced at a negotiated hourly rate or fee not to exceed One Hundred Twenty Dollars (\$120) per hour and not less than One Hundred Dollars (\$100) per hour, on a weekly basis as the work progresses with respect to overages resulting from delays or missed deadlines and prior to the commencement of work for any other scope changes. Any billings for extended or expanded services or scope adjustments will be submitted to the City Auditor for written approval prior to payment. It is not anticipated that significant overages will occur. However, the \$50 rate increase for hours incurred after November 30, 2015 and the \$100 rate increase for hours incurred after December 31, 2015 will also be applied to any overages incurred after those dates. In addition, if the audit is not completed by January 20, 2016, due to City delays, KPMG may not have available personnel to complete the audit until after April 1, 2016. KPMG will make every effort to complete the audit as soon as possible."

All of the terms and conditions of the Agreement that are consistent with this Agreement of Renewal #3 and all attachments, if any, to the Agreement shall remain the same and are herein incorporated by reference. However, the last paragraph of the **TWELFTH** section of the Agreement is hereby amended and shall read as follows:

In performance under this Agreement of Renewal #3, KPMG LLP shall comply with all applicable federal, state and local laws and regulations.

The execution of this Agreement of Renewal #3 shall indicate acceptance of its terms and conditions. Please sign this letter where indicated below and return it. A fully endorsed copy will be returned for your record.

Sincerely,

CITY OF NORFOLK

By: _____

Marcus D. Jones

City Manager

ATTEST:

City Clerk

Date

KPMG LLP

By: _____


Print Name: Cheryl L. Kystros

Print Title: Partner

CONTENT APPROVED:



Norfolk City Auditor



Director of Finance

FORM AND CORRECTNESS APPROVED:



Deputy City Attorney

CERTIFICATE OF FUNDING

I hereby certify that the money required for this Agreement of Renewal #3 is in the City Treasury to the credit of the fund from which it is to be drawn and not appropriated for any other purpose.

AMOUNT: \$ _____
ACCOUNT NO: _____
CONTRACT NO: _____
VENDOR NO: _____
BUSINESS LICENSE NO: _____

see page 4

Director of Finance Date

CERTIFICATE OF FUNDING

I hereby certify that the money required for this Agreement is in the City Treasury to the credit of the fund from which it is to be drawn and not appropriated for any other purpose.

GENERAL FUND

AMOUNT: \$302,705
ACCOUNT NO: 1000 -4-070-178-5307

HEALTH CARE FUND

AMOUNT: \$5,000
ACCOUNT NO: 6700-67-670-5307- ACT 669

RETIREMENT

AMOUNT: \$30,706
ACCOUNT NO: 1000 -4-050-168-5307

WATER UTILITY FUND

AMOUNT: \$28,191
ACCOUNT NO: 5300-33-010-676-5307

WASTEWATER UTILITY FUND

AMOUNT: \$17,348
ACCOUNT NO: 5200-34-100-706-5307

PARKING FUND

AMOUNT: \$21,685
ACCOUNT NO: 5100-38-001-728-5307

STORM WATER FUND

AMOUNT: \$1,334
ACCOUNT NO: 2300-35-010-712-5307

CONTRACT NO: 13372H

VENDOR NO: KPMG, LLC

Total City Amount: \$406,969

Contract Number: 13372H

Vendor Code: KPMG, LLP

David M. Kelly 5/19/15
Director of Finance Date

* As part of the audit contract the School Board and Economic Development Authority are paid for by these entities:

School Board \$184,608

EDA \$11,927

Total Contract Amount: \$603,504



Norfolk Public Schools

The cornerstone of a proudly diverse community

December 18, 2015

KPMG LLP
440 Monticello Avenue, Suite 1900
Norfolk, VA 23510

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the financial statements, of the School Board of the City of Norfolk, Virginia, (the School Board): a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2015, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles. We are also providing this letter to confirm our understanding that in the completion of your audit of the City of Norfolk's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* required the inclusion of transactions and records relating to the School Board's federal programs, in order to obtain reasonable assurance that the School Board had complied, in all material respects, with the requirements of laws, regulations, contracts, and grants that could have direct and material effect on each of its major federal programs for the year ended June 30, 2015. Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of December 18, 2015, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
2. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 15, 2015, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.
3. We have made available to you:
 - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of the meetings of the School Board of the City of Norfolk, Virginia, or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. Except as disclosed to you in writing, there have been no:
 - a. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
 - b. False statements affecting the School Board's financial statements made to other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.
5. There are no:
 - a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or contribution receivable.
 - b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.
 - d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.
 - e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the financial statements.
6. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.
7. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.
8. We acknowledge our responsibility for the design, implementation and maintenance of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriations of assets involve the theft of an entity’s assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.
8. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the School Board’s ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.
9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
10. We have no knowledge of any fraud or suspected fraud affecting the School Board’s financial statements involving:

- a. Management
 - b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the financial statements.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the School Board's financial statements received in communications from employees, former employees, regulators, or others.
12. The School Board has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. We have no knowledge of any officer or member of the School Board of the City of Norfolk, Virginia, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
14. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.

The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, The Financial Reporting Entity, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.
 - b. Guarantees, whether written or oral, under which the School Board is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
 - d. Agreements to repurchase assets previously sold, including sales with recourse.

- e. Changes in accounting principle affecting consistency.
 - f. The existence of and transactions with joint ventures and other related organizations.
15. The School Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
 16. The City of Norfolk, Virginia and the School Board have mutually agreed that all of the Schools Board's buildings and building improvements, irrespective of financing source, are recorded on the City's general ledger. Consequently, none of the School Board's buildings or building improvements are recorded within the School Board's general ledger.
 17. The School Board has complied with all aspects of laws, regulations, contractual agreements, donor restrictions, and grants that may affect the financial statements, including noncompliance.
 18. Management is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the School Board. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
 19. The financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
 20. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.
 21. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 22. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.
 23. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.
 24. Deposits and investment securities are properly classified and reported.
 25. The School Board is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported

represent the School Board's best estimate of fair value of investments required to be reported under the Statement. The School Board also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

26. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
 - a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;
 - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
 - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
27. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.
28. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
29. The School Board has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, including those related to the recognition of outlays associated with the development of internally generated computer software.
30. The School Board has no:
 - a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.
 - b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.
 - c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.
31. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the School Board's funding progress related to such benefits for financial reporting purposes are appropriate in the School Board's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

32. For each single-employer and cost-sharing multiple-employer defined benefit pension plan:
- a. The net pension liability has been properly measured and disclosed in accordance with the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*.
 - b. All relevant plan provisions in force as of the plan's year end have been properly reflected in the measurement of the net pension liability.
 - c. We believe the actuarial assumptions and methods used to measure the net pension liability are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
 - d. The participants' data provided to the actuary for purpose of determining the net pension liability is accurate and complete.
33. For each defined benefit pension plan in which the School Board is a participating employer:
- a. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
 - b. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.
 - c. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
 - d. The participants' data provided to the actuary for purpose of determining the net pension liability and pension expense is accurate and complete.
 - e. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.
 - f. The net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been properly allocated to fiduciary funds based on each fund's direct and indirect (for example, through a fringe benefit cost recovery rate) payment of employer contributions relative to total employer contributions of the School Board as a whole.

34. The School Board has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (nonspendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.
36. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.
37. The School Board has identified and properly accounted for all nonexchange transactions.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Special and extraordinary items are appropriately classified and reported.
40. The financial statements disclose all of the matters of which we are aware that are relevant to the School Board's ability to continue as a going concern, including significant conditions and events, and our plans.
41. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the School Board's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
42. We agree with the findings of specialists in evaluating the self-insurance reserves and OPEB liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
43. We acknowledge our responsibility for the presentation of the required supplementary information which includes, Management's Discussion and Analysis and Statistical Section, in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

- a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.
44. The School Board has complied with all applicable laws and regulations in adopting, approving, and amending budgets.
45. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
46. There were no omissions from the participants' data provided to the actuary for the purpose of determining the pension liability, other post-employment benefit obligation and other actuarially determined amounts in the financial statements.
47. Management has a process in place to track the status of audit findings and recommendations.
48. Management has provided views on reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
49. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.
50. We are responsible for understanding and complying with the requirements of laws and regulations and the provisions of contracts and grant agreements related to each of the School Board's federal programs.
51. We are responsible for taking corrective action on audit findings of the compliance audit.
52. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:
 - a. Management, including management involved in the administration of federal programs.
 - b. Employees who have significant roles in internal control over the administration of federal programs.

- c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.
- 53. We are responsible for the presentation of the School Board-related portion of the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133 within the City of Norfolk's CAFR and:
 - a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
 - b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.
- 54. We are responsible for complying, and have complied, with the requirements of OMB Circular A-133.
- 55. The School Board has prepared its portion of the SEFA to be provided to the City for inclusion in the City's CAFR in accordance with the requirements of OMB Circular A-133 and:
 - a. Has included all expenditures made during the year ended June 30, 2015 for all awards provided by federal agencies in the form of grants, American Recovery and Reinvestment Act (ARRA) awards, federal cost-reimbursement contracts loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - b. Appropriately identified and separated all ARRA awards, if any, within the SEFA.
- 56. The School Board has complied with requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
- 57. We have disclosed to you any interpretations of any compliance requirements that have varying interpretations.
- 58. The School Board has established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.
- 59. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

60. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal programs.
61. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.
62. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
63. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
64. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
65. All vendors that the School Board contracted with using federal funds were neither suspended nor debarred before entering into the contract.
66. The School Board is in compliance with documentation requirements contained in OMB Circular A-87, "Cost Principles for State, Local and Tribal Governments" for all costs charged to federal awards, including both direct costs and indirect costs charged through cost allocation plans or indirect cost proposals. Costs charged to federal awards are considered allowable under the applicable cost principles contained in OMB Circular A-87.
67. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.
68. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
69. The School Board does not have subrecipients.
70. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.

71. If applicable, we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
72. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
73. We have advised you of all contracts or other agreements with service organizations.
74. If applicable, we have disclosed to you all communications from service organizations relating to noncompliance at the service organizations.
75. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
76. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the date as to which compliance is audited.
77. We have disclosed to you all known legal proceedings that have been initiated against the School Board for any violation of any loan agreements or any failure to pay creditors.

Further, we confirm that we are responsible for the fair presentation in the financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the School Board, and the related notes to the financial statements, in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Very truly yours,



Michael E Thornton, Ph.D.
Chief Operations and Finance Officer



Shenette Felton
Senior Director of Accounting

Child Nutrition Fund:

Grants Fund:

ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carry-forward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities
				A	B	C=A (Only Income Statement accounts)	C-B						
SUAD 1	As part of our AR subsequent receipts testwork in the Gov Wide eAudit file (3.2 REV7 series) an error was identified related to the grants fund. The error was identified by management as an item that was uncollectible and, therefore, a misstatement.	Projected	Due from the Commonwealth of Virginia - Grants Fund	0	(427,750)	0	0	0	0	(427,750)	0	0	0
			Intergovernmental revenue: Commonwealth of Virginia - Grants Fund	427,750	0	0	427,750	427,750	0	0	0	0	0
			Aggregate effect of uncorrected audit misstatements (before tax):			0	427,750	427,750	0	(427,750)	0	0	0
			Aggregate effect of uncorrected audit misstatements (after tax):			0	427,750	427,750	0	(427,750)	0	0	0
Financial statement amounts (per final financial statements) (after tax):									383,672	(57,635)	14,751,507	-	(14,693,872)
Uncorrected audit misstatements as a percentage of financial statements (after tax):									111.49%	0.00%	(2.90%)	0.00%	0.00%